



AZ COMPENSATION NETWORK

August 2018

Agenda

- Opening/Icebreaker
- FLSA - Overview & Misconceptions
- Internal Equity: Case Studies
- Strategic Role of HR
- Roundtable: A Variety of Topics
- September Meeting requests



“Market the Agency”

Ice Breaker!

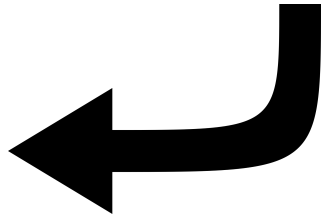


Governor Ducey is interested in advertising and promoting a couple of our lesser-known Agencies, Boards, and Commissions. He wants the people in this room (given their extensive expertise on this matter) to create a mascot that will give each agency a fresh image! Each table will:

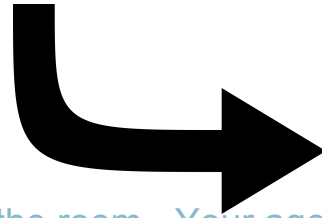
1. Draw a mascot concept,
2. Pitch the idea to the room.

The best mascot for each agency will be selected and sent to the governor (or if they're all bad, we might skip that last step).

Ice Breaker! continued



This side of the room - Your agency is the
Funeral Directors and Embalmers Board!



This side of the room - Your agency is the
**Navigable Streams Adjudication
Commission!**



FLSA



Fair Labor Standards Act - Overview

Fair Labor Standards Act (FLSA) - A Little History

- Originally drafted in 1932
- Revised version of proposal was enacted in 1938 and titled the Fair Labor Standards Act (FLSA)
- As Enacted, the FLSA established:
 - Federal Minimum Wage
 - Overtime eligibility
 - 40-Hour Workweek
 - Child Labor Provisions

Fair Labor Standards Act - Overview

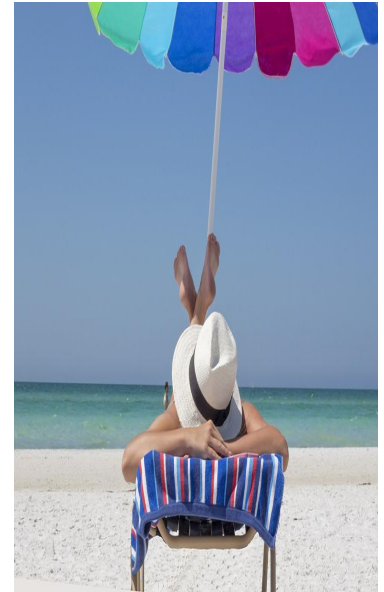
What does the FLSA do?

- Requires employers to pay ALL employees at least the Federal Minimum Wage
- Mandates that OT eligible employees receive 1.5 times their regular rate of pay for OT hours worked
- Mandates that children under eighteen cannot do certain dangerous jobs
- Mandates that children under sixteen cannot work during school hours

Fair Labor Standards Act - Overview

What IS NOT required by the FLSA?

- Vacation, holiday, severance, or sick pay
- Meal or rest periods, holidays off, or vacations
- Premium pay for weekend or holiday work
- Pay raises or fringe benefits
- A discharge notice, reason for discharge, or immediate payment of final wages to terminated employees
- A limit to the number of hours in a day (or days in a week) an employee may be required or scheduled to work, if the employee is at least 16



Fair Labor Standards Act - Overview

Who is covered by the FLSA?

- Covers “any individual employed by an employer”
- Exceptions:
 - Independent Contractors
 - Volunteers



Fair Labor Standards Act - Exemptions



Who is exempted from ALL coverage under the FLSA?

- Employees of certain seasonal amusement or recreational establishments
- Employees of certain small newspapers and switchboard operators of small telephone companies
- Seaman employed on foreign vessels
- Employees engaged in fishing operations
- Employees who deliver newspapers, who are employed on small farms, casual babysitters/companions, highly compensated employees



Fair Labor Standards Act - Exemptions

Who is exempt from overtime coverage under the FLSA?

- Most common exemptions are:
 - Administrative
 - Computer Employee
 - Executive
 - Outside salesperson

Fair Labor Standards Act - Exemptions

Administrative Exemption requires:

- Employee cannot earn less than \$455/week
- Must be compensated on a *salary or fee basis*
- Must have the *primary duty* of performing office or non-manual work *directly related to the management or the general business operations* of the employer or employer's customers
- Must exercise *discretion and independent judgment with respect to matters of significance*

Fair Labor Standards Act - Exemptions

Other Commonly Used Exemptions:

- Learned Professional
- Highly Compensated Employees
- Computer Employee
- Creative Professional
- Teachers
- Lawyers or Doctors



Fair Labor Standards Act

Common Misconceptions and Myths

- Employees who are paid a salary are exempt?

FALSE

Fair Labor Standards Act Common Misconceptions

- Supervisors, Managers, and Administrators are exempt?

FALSE

Fair Labor Standards Act

Common Misconceptions and Myths

- Meal periods are counted as “hours worked”?

FALSE



Fair Labor Standards Act

Common Misconceptions and Myths

- Our agency does not authorize overtime! Extra work is considered “unauthorized”.

FALSE

Fair Labor Standards Act

Common Misconceptions and Myths



Losing FLSA exempt status is considered a demotion

Because of the many implications and attitudes surrounding FLSA status, an employee who changes from Exempt to Non-Exempt may see it as a demotion.

Fair Labor Standards Act

Common Misconceptions and Myths

Part-time employees are not covered by the FLSA

FALSE

Fair Labor Standards Act

Common Misconceptions and Myths

Double time is required for holiday work

FALSE



Fair Labor Standards Act - Final Thoughts

- Although the provisions of the FLSA are complex, they are manageable!
- Communication matters
- DOL salary test has yet to be settled
- Do the right thing



Fair Labor Standards Act





Internal Equity



The basics

- When looking at market for a job, that's external competitiveness/equity. When looking only at the pay of current staff, that is called internal equity.
- A balance needs to be found, but in many cases internal equity will overshadow the market rate for a job.
 - Especially true in public sector with limited salary movement
- We want to avoid being overly conservative and bring everyone in at the minimum/hiring rate OR ignoring peers and making salary decisions that could put the State at risk for DOL violations

Relevant Laws

Equal Pay Act of 1963 - Protects from wage discrimination on the basis of sex

Title VII of the Civil Rights Act of 1964 - Protects from wage discrimination on the basis of race

Age Discrimination in Employment Act of 1967 - Protects from wage discrimination for those individuals aged 40 or older

Title I of the Americans with Disabilities Act - Protects from wage discrimination for those individuals with disabilities

Why reviewing for internal equity is hard

First, think about the variety of jobs we have in State service...

Is external experience as valuable as internal experience?

Can education be substituted for experience (or vice versa?)

Is funding availability a limiting factor?

What is the pool of employees being compared? Unit, department, agency, statewide?

The answers to the above questions could vary from job to job

Hands-on

Two case studies to get you thinking
about these issues

Current Staff List - Program Services Dept.

Name	Title	Pay Rate	Hire Date into Job	External Exp	Highest Degree	Sex	Race	Age	Avg MAP Rating
LORETTA	PROG REP 1	\$44,287	10/24/1998	2	Bachelor's	F	WHIT	52	2.8
CHRISTINA	PROG REP 1	\$33,525	9/27/2016	0	None	F	BLCK	40	2.0
MARIA	PROG REP 1	\$34,112	10/10/2017	3	None	F	HISP	44	2.6
SHELLY	PROG REP 1	\$30,909	1/2/2018	0	Associate's	F	ASA	29	2.2
WENDY	PROG REP 1	\$28,228	3/24/2018	0	None	F	UNSP	30	2.7
MONICA	PROG REP 1	\$27,990	6/30/2018	0	Associate's	F	WHIT	26	2.0
ALEXANDRA	PROG REP 1	\$27,990	6/30/2018	0	Associate's	F	HISP	39	2.2

Case Study #1

You are asked to recommend a salary for the preferred candidate for a “PROG REP 1” job opening. While the candidate is new to state service, he has 2 years of similar experience working for an agency in another state and has an Associate’s Degree. The recruiter wouldn’t have any demographic data, but he estimates that the candidate is in his early 30’s and is caucasian.

Please provide a recommended salary range for the hiring manager that would not cause internal equity issues.

Things you should have noticed

- The candidate's total experience (2 years external) would move him above Shelly, Wendy, Monica, and Alexandra
- The candidate's education may put him above Christina and/or in line with Maria
- Age, race, and sex weren't really factors here

Case Study #1 Recommendation

Anything between \$27,990 - \$34,112

- \$27,990: Ultra conservative. Seems to be entrance rate for job with no exp
- \$28k - \$33k: Would give credit for candidate's greater experience and/or education than peers
- \$34,112: Upper limit. Gives credit for all education and experience

Case Study #2

Same exact candidate as in Case Study #1. However this time, the hiring manager tells you that education is irrelevant to this line of work--everything is learned on the job. He also tells you that because this line of work differs so widely from state to state, the candidate's past experience wasn't relevant.

Please provide a recommended salary range for the hiring manager.

Current Staff List - Program Services Dept.

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Case Study #2 Recommendation

\$27,990

Discounting the candidates education and past experience, there is no identifiable reason to bring him in at a salary higher than 2 similarly situated employees in protected classes: Alexandra (race and sex) or Monica (sex).

Some key takeaways

- You don't need to review internal equity before every salary action. But think about these concepts as you make recommendations, come across salary data, receive in-grade adjustment requests...etc. Look for pay actions that break the norm.
- Make pay decisions blind to age, sex, race, and disability, BUT justifications have to be solid to prevent causing an inequity.
- ADOA can help in reviews and make salary adjustments if needed if inequities already exist and are of concern--Administrative Adjustments

Questions?



Strategic Role of HR



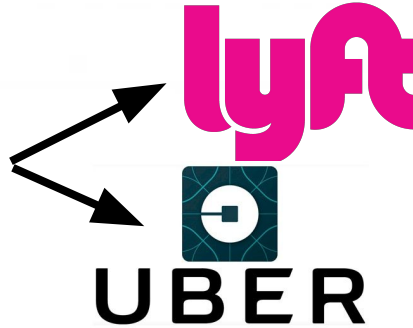
What is your role in your agency?
What value do you provide?



**Operational
Processing**

**Strategic
Value**

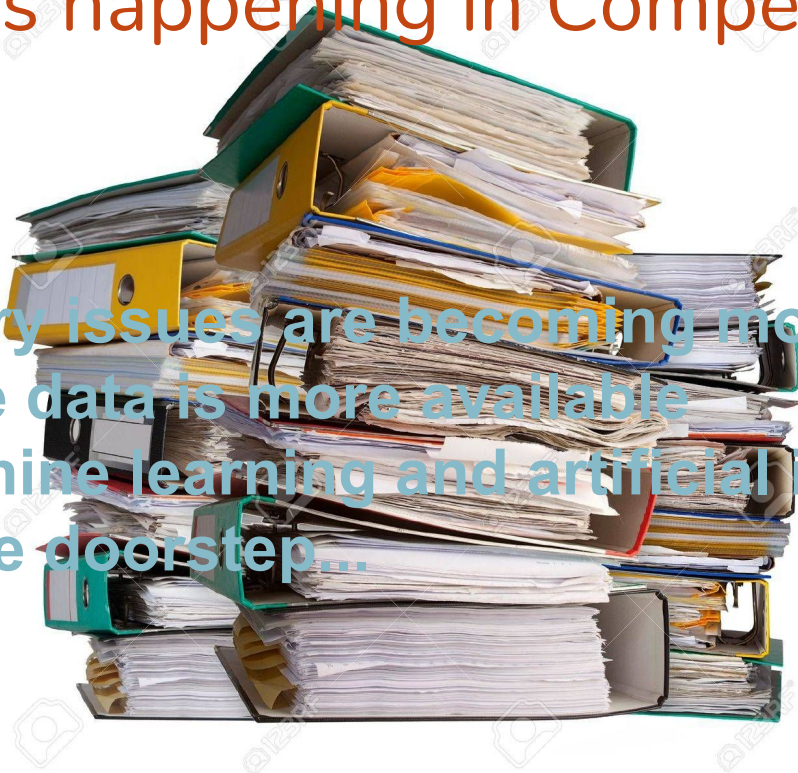
Industry Disruption...



Available at
amazon

What is happening in Compensation?

- Salary issues are becoming more transparent
- More data is more available
- Machine learning and artificial intelligence are at the doorstep...



How do



ARIZONA



Governor Doug Ducey

MISSION
We will serve, protect, promote and defend the State of Arizona and its citizens in their pursuit of a better life.

**SHARE
VISION**

CORE VALUES
• Do the Right Thing
• Commit to Excellence
• Care About One Another

CORE BELIEFS

responsibility is to...



LEADERSHIP
True Leaders Change Things to Make them Better

CORE VALUES

- Do the Right Thing
- Commit to Excellence
- Care About One Another

FOUNDATIONS

KEY GOALS

STATE
KEY
FUNCTIONS

GOAL TEAM LEAD

AGENCY
KEY
FUNCTIONS

LEAD
MEASURES

MISSION
MEASURES

NATIONAL
RANKINGS

**Ensuring
World Class F**

Design Work

1. Setting and practices thinking, c
2. Creating A accountable
3. Recruiting profession
4. Closing the minority st
5. Providing learning o
6. Promoting education
7. Strengthen outcomes

- a. Student at
- b. Increasing
- c. Improveme
- d. Higher-qu
- e. Teacher re
- f. Teacher p
- g. Students e
- h. Postsecor
- i. Education

Governm

- a. Preschool Enrollment
- b. 3rd Grade Reading
- c. 8th Grade Math
- d. High School Completion
- e. College-Going
- f. Youth Enrolled in School or Workin
- g. Postsecondary Attainment

- a. NAEP Performance Rank (47th)
- b. US News Top-Ranked High Schools
- c. US Chamber Leaders and Laggards
- d. Education Week State Report Card

- g. Teacher wages
- h. Business tax climate
- i. Economic freedom*

- a. CATO Fiscal Policy Report Card*
- b. CNBC Top States for Business*
- c. ALEC Rich States Poor States*

- h. Drug & alcohol enforcement
- i. Teen pregnancy*
- j. Infant mortality*
- k. Healthy weight*

- f. Injured workers*
- g. Traffic fatalities*
- h. Natural disaster emergency* response
- i. Recidivism*



MassIngenuity
FOR BETTER. ARIZONA





***Protect the
Mission***



***Protect
Talent***



***Protect the
Budget***





Roundtable



- “DNU” List
- “Alpha List”
- HRIS Upgrade
 - FLSA Clean Up
 - Salary Schedules
 - Agency-Specific Titles
 - Auto-assigned Job Codes

Upcoming Events

Sept 13 - 7:30am to 9:30am

Arizona Total Rewards Association: Compensation Trends

www.aztotalrewards.com

Free for members; \$35 for guests

Sept 18 - 1:00pm to 3:00pm

AZ Compensation Network

ADOA Conference Room 300